

VZCZCXRO2719
RR RUEH DU RUEHMR RUEHRN
DE RUEHTO #0784/01 2310726
ZNY CCCCC ZZH
R 180726Z AUG 08
FM AMEMBASSY MAPUTO
TO RUEHC/SECSTATE WASHDC 9225
INFO RUCNSAD/SOUTHERN AFRICAN DEVELOPMENT COMMUNITY
RUEHLO/AMEMBASSY LONDON 0215
RHEHNSC/NSC WASHDC
RHEFDIA/DIA WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 MAPUTO 000784

SIPDIS

E.O. 12958: DECL: 08/18/2018
TAGS: [EAGR](#) [EINV](#) [SENV](#) [KCOR](#) [PGOV](#) [MZ](#) [CH](#)
SUBJECT: MOZAMBIQUE - CHINA'S RICEBASKET?

REF: MAPUTO 1207

Classified By: Charge d'Affaires Todd Amani for Reason 1.4 (b) and (d)

¶1. (C) SUMMARY: The Chinese Government (GoC) and businesses continue to expand commitments and investments in Mozambique; China is now the sixth largest foreign investor. Long-standing interests in natural resources are complemented by new investments in agriculture-especially rice, along with infrastructure aimed at facilitating extraction. The GoC appears to view Mozambique as a long-term source of foodstuffs in addition to natural resources, though there has been backlash locally in how this policy has been implemented. END SUMMARY.

SOFT LOANS, DEBT RELIEF... AND 'GIFTS'

¶2. (C) The GoC has granted the GRM loans with easy repayment terms (i.e. \$2.3 billion for the Mphanda Nkuwu dam) and debt forgiveness (\$30 million in 2007). TDM, the Mozambican state telecommunication company, recently requested a loan of \$25 million from the GoC to extend telecommunications capacity from the present 82 districts to all 128 districts of the country by 2010--just in time for the FIFA World Cup in South Africa. Especially significant 'no strings attached' gifts include the National Sports Stadium (valued at \$57 million), and a twelve-story Justice Tribunal building in Maputo at an estimated cost of \$18 million, to be completed in 2009. This builds on the previous construction of the National Assembly (Parliament) building, central library for Eduardo Mondlane University (UEM), the Joaquim Chissano conference center, the Foreign Ministry and the FADM military office high rise.

RESOURCES, INFRASTRUCTURE HEADLINE INVESTMENT

¶3. (C) GoC investment in Mozambique has increased, with bilateral cooperation focusing on infrastructure and natural resources. According to the GoC Ministry of Commerce, in 2007 China invested \$284 million in Mozambique - compared to \$10 million in 2003 - making China the sixth largest source of foreign direct investment. GoC interest in Mozambican timber and hydrocarbons continues (reftel), supplemented by illegal fishing and poaching. In addition, Chinese companies have been successful bidders on tenders to reconstruct National Highway 1 (which will run the length of Mozambique), refurbish the Maputo airport, and several bridges.

A NEW EMPHASIS ON AGRICULTURE, ESPECIALLY RICE

¶4. (C) The Zambezi and Limpopo river valleys have piqued GoC interest in the potential for rice growing. According to private sector contacts, in exchange for the construction of

new dams, roads, and improvements to nearby ports - by Chinese companies - as many as 3,000 Chinese technical experts will be allowed to move into the Zambezi river valley to establish and run large and medium scale rice growing and cattle ranches, with manual labor ostensibly performed by Mozambicans. To pave the way for increased rice production in Mozambique, the GoC recently built a showcase agricultural research institute staffed by experts from China's Hunan Rice Institute, providing training in rice planting and harvesting techniques. CGOG Africa, the Mozambican subsidiary of China Grains and Oils Group, plans to invest \$10 million for the construction of a grain factory and poultry-processing plant aimed at producing 30,000 tons of meat yearly.

COMMENT: A MASTER PLAN, BUT SOME CRACKS APPEAR

15. (C) Private sector estimates suggest that since 2003 the Chinese government has invested \$800M in Mozambique's agriculture sector, reportedly aiming at increasing rice production by 500 percent from 100,000 tons in 2007 to 500,000 tons a year by 2013. While rice isn't a staple of the traditional Mozambican diet, rice consumption in China has doubled since 1985. Hence, China may be directing its aid, investment, and gifts to ensure that Mozambique is a future supplier of foodstuffs in addition to being a steady source of existing natural resources. Even so, criticisms abound about shoddy construction techniques and faulty building materials. For example, the recently completed UEM library already shows serious cracks and faults, and MFA contacts regularly grumble to us about the problems they face

MAPUTO 00000784 002 OF 002

with their building. Since Chinese infrastructure projects here have used mostly imported Chinese labor, complaints often arise that there seems to be no real benefit to the average Mozambican--suggesting that the GoC's efforts haven't always had the intended effect.
Amani